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PROGRAM The Ron Eisenberg Show

STATION WRC Radio

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CITY Washington, D.C.

SUBJECT Bechtel Corporation and the CIA

RON EISENBERG: This first hour, we take a look at two subjects. The first one is the Bechtel Corporation, which is, whether you know it or not, the world's largest private construction company, privately held, based in San Francisco, and they do work around the world. Now, the company's important for lots of reasons. One is our Secretary of Defense, Caspar Weinberger, came from there. And our designated Secretary of State, George Shultz, comes from there. And so Bechtel Corporation and what it does and who it does it with is of some interest.

We're also going to look at the whole question of safety. How safe are the products you use every day? And is anybody out there making sure they are safe? And what about Underwriters Lab and other testing organizations? What about the Product Safety Commission and the National Highway Traffic Safety Administration and the Food and Drug Administration? Are they doing their job or not? And how, perhaps, could our national safety effort be improved?

Well, we're going to talk about both those subjects with investigative editor for Mother Jones magazine Mark Daly, who's in the WRC studios.

Mark, welcome.

MARK DALY: Thank you.

EISENBERG: Before we get into the whole question of safety, you wrote in 1978 an investigative piece on a company that even people in San Francisco aren't real familiar with. That was the Bechtel Corporation.

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DALY: That's right.

EISENBERG: Tell us a little bit about Bechtel, would you?

DALY: Well, I found, incidentally, in doing this story, that even people that worked at Bechtel weren't very familiar with the corporation. Quite high up, in fact, I was surprised by how little the workers there knew about their company.

EISENBERG: Well, why were you interested in doing a story on Bechtel?

DALY: Well, for that very reason. It was a company that was the largest construction company in the country, it had built half the nuclear power plants in the United States, and I don't know how many more overseas. It has enormous contracts from almost every department of the government, particularly the Defense Department. And we believed that it didn't deserve the secrecy that it had gained for itself. Although it is a privately owned company, it is a very public company, in that it spends an enormous amount of taxpayers' dollars and builds an awful lot of public works.

EISENBERG: Now, you've looked at Bechtel Corporation. And as it turns out -- you didn't know it at the time, but our Secretary of Defense, Caspar Weinberger, in 1981 named to that job by President Reagan, he came from Bechtel.

DALY: Well, Weinberger and Shultz had recently been hired out of the remnants of the Nixon Administration when I started doing this story. And they were almost certain to go back into the government as soon as there was a Republican Administration. They are the epitome -- they epitomize the revolving-door syndrome between government and private industry, in that respect. They both -- Caspar Weinberger was Ronald Reagan's Minister of Public Health, Secretary of Public Health in California. And Shultz has been, of course, an old friend of Republican Administrations for years.

EISENBERG: Well, we know a lot about the public George Shultz. We know that he worked in the Nixon Administration, that he was head of the Office of Management and Budget. We know that George Shultz was Secretary of Labor and Secretary of the Treasury, he's an economist, that he's 61 years old. But what is it about George Shultz in his job at Bechtel that you found of interest?

DALY: He is the President of Bechtel, and probably the most valuable player on the team. He's most valuable because of the magnitude of Bechtel's construction projects in countries

that can't afford to buy them.

EISENBERG: Like what?

DALY: Like in Saudi Arabia, who can now afford to buy it because they have so much oil cash from their oil. But when -- first of all, the infrastructure had to be put in there, and that required cash.

Indonesia, which is undergoing a similar experience in energy extraction. Nigeria, where they discovered an enormous amount of oil.

Shultz, because he is so closely tied with the bilateral and multilateral banking systems, private and public banks, the World Bank, the IMF, the Bank for International Development, and some of the private banks in New York, is able to deliver an enormous amount of finance capital to these countries, along with the offer to build the infrastructure. So he can go and say, "How would you like a refinery and the extractive mechanism to take oil, gas or coal," or whatever it is that the country has. And they'll say, "Well, we'd love to have that, but we can't afford it." And he says, "I can finance it for you."

EISENBERG: Let me ask you this. Is there any reason that anyone should be concerned about George Shultz coming into the Reagan Administration as designate for Secretary of State? And he'll be acting in that job until confirmation hearings are held. Should we be concerned that this might in some way tip government one way or the other, for example, in the Middle East?

DALY: Yes.

EISENBERG: Why?

DALY: Well, first of all, you know, I think in some respects Shultz is a better -- will be a better Secretary of Defense than Alexander Haig.

EISENBERG: Secretary of State.

DALY: I'm sorry. Secretary of State. He was seriously considered. I believe he was actually offered the job and turned it down at one point. And if Al Haig had not taken the job, there were rumors that the President was going to draft Shultz into the job. He really wanted him very badly.

I think the danger of having Shultz there is that that will be two people that will come from Bechtel Corporation, which is in the Middle East, a very Arabist corporation. At one point, the Middle East was sort of divided up by the construction

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companies, and Bechtel took the Arab side and Kaiser took, basically, the Israel and the non-strict-boycotting Arab nations.

And so it's obvious, so far, that Weinberger is an Arabist on the Middle East. He is the Administration's Arabist. It's hard to tell what position Shultz will take on all that, but he certainly comes out of a whole world and mind-set that is strongly influenced and strongly loyal to the Arab side of the conflict over there. So I think that that could create some real danger.

EISENBERG: Mark Daly, investigative reporter for Mother Jones, investigative editor for that magazine.

Would you like to see, perhaps, in George Shultz's confirmation hearings a closer look at and public exposure of the Bechtel Corporation?

EISENBERG: Yes, I certainly would. I think that there's going to be media exposure of the Bechtel Corporation now. There just can't help but be, with two men from the same company high in the Administration.

Yes, I would. I would like to see people ask him -- and, if possible, ask Weinberger. I wish they had've when he was being confirmed -- exactly what their role vis-a-vis Bechtel Corporation is going to be. Bechtel has always done very well when their people are back in the government. They've gotten enormous contracts. They've built, as I say, many of the nuclear power plants. They've built a lot of the military infrastructure in this country, a lot of the communications, the military communications infrastructure. And historically, they've done much better when people like Shultz and Weinberger were here than they have when Weinberger and Shultz were back in San Francisco during Democratic Administrations.

So, I'd press him hard on questions like that. I really would.

EISENBERG: I'm talking with Mark Daly, who is an investigative reporter for Mother Jones magazine, a magazine in San Francisco, nationally distributed, that takes a look at things like the Bechtel Corporation and, in another series, another series that Mark Daly did, product safety and the safety of consumer products.

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JOHN: I had a question about the Bechtel Corporation, but you left the subject so quickly that I -- and I really didn't feel that I got enough information.

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EISENBERG: Well, you can ask whatever you want. We have one of the only experts in the country who's done an investigative report on Bechtel sitting here, Mark Daly.

JOHN: Maybe I missed it. There was a second when I got out of my car when I was listening to the radio and went into the house, so I might have missed it. But who owns Bechtel? Where -- how much money do they profit? Not how much money do they make, but how much money, at least, do you estimate they profit? And where is the money going?

And I want to throw one thing else out. Probably 10, 15, 20 years ago, during the whole Vietnam thing, I know that Bechtel was a target of, at least, many radical organizations about fronting CIA operations, etcetera. And it's always been kind of cloaked in mystery. And I wanted to find out if your guest also knew anything about that.

DALY: First of all, Bechtel is owned primarily by the Bechtel family and about 50 of its chief executives in the company, all men...

EISENBERG: So it's not publicly held. You can't go out and buy 40 shares of Bechtel.

DALY: No. You can only buy shares in Bechtel when you're offered them by the family. It's all owned by men. The women who own stock have to give the voting power in the stock to their husbands.

EISENBERG: That's...

DALY: No one knows how much profit they make because they don't have to report that. They're a private corporation, not a public corporation, so they don't file anything with the Security Exchange Commission or any other auditing body of a government agency. That's because they're private.

As for the CIA, Bechtel, in years past, had very close ties with the CIA, through Douglas Dillon, who was one of Stephen Bechtel Senior's very good friends, through John McCone, who went from Bechtel to the CIA, and John Simpson, who went from the CIA to Bechtel. There's been a lot of interaction between Bechtel and the CIA.

The only ties, the active ties that we were able to document between Bechtel and the CIA -- they do it very well, covering their documentation. The only thing we were able to tie was Bechtel's connection with the CIA in Libya, where they made some deals there, through the CIA, in the construction of some gas pipelines.

JOHN: I understand that that means something to you,

but who is the Bechtel family? I mean I haven't heard of them, but I had heard that they were very reactionary, very right-wing. And have they been great contributors to financial [sic] candidates, like Ronald Reagan, which would make logical sense, since he's from California, and...

DALY: Yes.

JOHN: Who are these people?

EISENBERG: Who are the Bechtels?

DALY: I'm not surprised you've never heard of them. They don't want you to have ever heard of them. They're one of the more anonymous families in the country. They try their best to keep their name out of Who's Who, off the social registers, out of the press. They're a very private German-immigrant family. The company was started by an old muleskinner named Dad Bechtel. His son Stephen took over the company and turned it into what it is now. And now the third so, Stephen Jr., the grandson, Stephen Jr., is running the company, is the titular head if not the actual head. It's a toss-up between him and George Shultz. I guess they'll have to find someone to replace Shultz.

Yes, they're a very conservative family, always backing Republicans, and old friends of Reagan. In fact, Caspar Weinberger, who went from the Reagan Administration in the State of California, then to Bechtel, then to the federal government, back to Bechtel, then back to the federal government, just pretty much wherever Ron went.

JOHN: How did they get such an overriding handle on, particular, government and defense-oriented contracts? How have they been able to do that?

EISENBERG: Well, let's see what Mark Daly has to say about that, John.

DALY: How does any -- somebody had to get it. I mean the government was going to build. Somebody had to get it. Bechtel's very smart. I think the revolving door that we've been talking about in the safety story is also true in Bechtel: Shultz, Weinberger, and many, many other officials, the people who put Bechtel into the nuclear business. As I said earlier, they've built half the -- built or designed half the nuclear power plants in the United States. The people who put them into that business came right out of the Atomic Energy Commission. John McCone went from Bechtel to the Atomic Energy Commission.

I think that Bechtel has -- because they're private, they're attractive to the government. And because they...

EISENBERG: They also, by the way, have done some work on the Washington, D.C. subway system.

DALY: Yes.

EISENBERG: So there is a Bechtel connection...

DALY: They were one of the constructors of Metro. They've done -- and of BART, the subway system in San Francisco. They've done a lot of public works, as well as government works.

But you asked about the ties to the government. Because they're a very secretive organization and they've thrived on their anonymity and their secrecy, they've been very attractive to people like the CIA and the Defense Department, and have done a great deal of work for both those agencies.

EISENBERG: John, thank you for the call.

Ron Eisenberg, talking with Mark Daly. He's investigative reporter for Mother Jones magazine. We've been talking about product safety and consumer safety, and we've also been talking about the Bechtel Corporation. Bechtel is one of the companies that, in his work as an investigative reporter, Mark Daly has looked at.

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EISENBERG: Fred, you're on WRC.

FRED: ...last five minutes of your program, and I don't know who your guest was or who the person on the other end. I recognized your voice.

EISENBERG: Well, the guest is Mark Daly. He's investigative editor of Mother Jones magazine.

FRED: Well, I don't know what Mother Jones is. But I'll tell you what. I listened to the conversation until I just had a compulsion to call in. And it sounds like the Bechtel Corporation is some sort of sinister organization.

Now, earlier in the day I'd heard that, somehow or another, the nominee or the would-be nominee...

EISENBERG: George Shultz is currently President of Bechtel. And Mark Daly is one of the few reporters in the country who has taken a look at what is a privately-held corporation.

FRED: Well, it sounded like you and this reporter were clucking about, and it sounded like the Bechtel Corporation was a neo-Nazi organization.

EISENBERG: No, I don't think -- we certainly didn't mean to imply that. But I can let Mark Daly speak for himself.

DALY: I never said that. I never used any such epithet. I didn't say they were fascist. I said they were conservatives. And they're very conservative.

FRED: Well, don't misinterpret what I said, sir. I was just saying that it sounded like you and Mr. Eisenberg were having a rather favorable conversation between each other. And if I'd beamed in from outer space, I'd think that, you know, this Bechtel Corporation was some sort of sinister sub rosa organization that was going to gradually take over America and turn it into -- it's my expression, not yours -- some sort of a fascist state.

DALY: I didn't say that.

FRED: I just said you didn't say that.

DALY: I know. All right. And I also don't think -- I didn't say that they were sinister and that they were going to take over the country. Although I think there's people in Bechtel Corporation who would like to.

FRED: Well, who are these people that would like to, then?

DALY: Oh, start with the Bechtel family themselves.

FRED: And is there something wrong with starting as a muleskinner and gaining wealth and passing it on?

DALY: No. I didn't say that.

FRED: No, you didn't, but you implied that there was something wrong with earning your way in America. I think you have your biases and they came out in the last five minutes.

EISENBERG: Fred, I wish we had more time to talk about it. And in all honesty, in Mark Daly's defense, the discussion in no way implied or mentioned there's something wrong with making your own way in America. Mark Daly's done it and lots of us have done that.

What he was talking about, however, are some little-known facts about a company that's privately held and not a lot of people know much about it.